

# CMS Manual System

Pub 100-04 Medicare Claims  
Processing

Transmittal 2232

Department of Health  
& Human Services (DHHS)

Centers for Medicare  
& Medicaid Services (CMS)

Date: May 27, 2011

Change Request 7404

## SUBJECT: Critical Access Hospital (CAH) Optional Method Election for Outpatient Services

**I. SUMMARY OF CHANGES:** Prior to the regulation change made in the fiscal year (FY) 2011 Inpatient Prospective Payment System (IPPS) final rule, if a CAH chose to be paid under the optional method it was required to make its election on an annual basis. However, in the FY 2011 IPPS final rule, we changed the regulations for the optional method election such that effective for cost reporting periods beginning on or after October 1, 2010 if a CAH elected the optional method in its most recent cost reporting period beginning before October 1, 2010 or chooses to elect the optional method on or after October 1, 2010, that election remains in place until the CAH submits a termination request to its FI or A/B MAC.

**EFFECTIVE DATE:** October 1, 2010

**IMPLEMENTATION DATE:** October 3, 2011

*Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.*

## II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-Only One Per Row.

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	Chapter 4/Section 250/Subsection 250.2/Optional Method for Outpatient Services: Cost-Based Facility Services Plus 115 Percent Fee Schedule Payment for Professional Services

## III. FUNDING:

### For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs):

No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

### For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

**IV. ATTACHMENTS:****Business Requirements****Manual Instruction**

*\*Unless otherwise specified, the effective date is the date of service.*

# Attachment - Business Requirements

Pub. 100- 04

Transmittal: 2232

Date: May 27, 2011

Change Request: 7404

**SUBJECT:** Critical Access Hospital (CAH) Optional Method Election for Outpatient Services

**Effective Date:** October 1, 2010

**Implementation Date:** October 3, 2011

## I. GENERAL INFORMATION

**A. Background:** CAHs can be paid for outpatient services using either the standard method (also referred to as “method I”) or the optional method (also referred to as “method II”). Under the standard method, the physician(s)/practitioner(s) is paid under the physician fee schedule for the professional service by the carrier or A/B MAC whereas under the optional method, the physician(s)/practitioner(s) reassigns his/her billing rights to the CAH and the CAH is paid 115 percent of the physician fee schedule amount for the professional service by the fiscal intermediary (FI) or A/B MAC. Under both methods, facility services are reimbursed at 101 percent of reasonable cost.

**B. Policy:** Prior to the regulation change made in the fiscal year (FY) 2011 Inpatient Prospective Payment System (IPPS) final rule, if a CAH chose to be paid under the optional method it was required to make its election on an annual basis. The CAH was required to make the election 30 days prior to the start of the cost reporting period to which the election applied and the election remained in effect for that entire cost reporting period. However, in the FY 2011 IPPS final rule we changed the regulations for the optional method election such that effective for cost reporting periods beginning on or after October 1, 2010, if a CAH elected the optional method in its most recent cost reporting period beginning before October 1, 2010 or chooses to elect the optional method for an upcoming cost reporting period, that election will remain in place until it is terminated. That is, the CAH will no longer be required to make an annual election. Rather, once the election to be paid under the optional method is made, it will remain in place until the CAH submits a termination request to its FI or A/B MAC. If the CAH chooses to terminate its optional method election it must submit a termination request to its FI or A/B MAC at least 30 days prior to the start of the next cost reporting period. If a CAH had not been paid under the optional method in its most recent cost reporting period beginning before October 1, 2010 and chooses to be paid under the optional method on or after October 1, 2010, the CAH must make its election in writing and that election must be delivered to the CAH’s FI or A/B MAC at least 30 days before the start of the next cost reporting period.

## II. BUSINESS REQUIREMENTS TABLE

Number	Requirement	Responsibility (place an “X” in each applicable column)									
		A / B	D M E	F I	C A R R	R H H I	Shared-System Maintainers				OTHER
M A C	M A C		I E R		F I S S	M C S	V M S	C W F			
7404.1	Effective with dates of service on or after October 1, 2010, Contractors shall note the following: if a CAH has elected the optional method in its most recent cost reporting period beginning before October 1, 2010 or chooses to elect the optional method on or after October 1, 2010, that election will remain in place until it is	X		X							

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B	D M E	F I	C A R R I	R H H I	Shared-System Maintainers				OTHER
		M A C	M A C				F I S S	M C S	V M S	C W F	
	terminated.										
7404.1.2	Effective with dates of service on or after October 1, 2010, Contractors shall note the following: if the CAH has not elected the optional method in its most recent preceding cost reporting period prior to October 1, 2010 and chooses to elect the optional method on or after October 1, 2010, the election must be made in writing and delivered to the FI or A/B MAC servicing the CAH at least 30 days before the start of the first cost reporting period for which the election is effective.	X		X							
7404.1.3	Effective with dates of service on or after October 1, 2010, Contractors shall note the following: if a CAH chooses to terminate its optional method election, it must submit a termination request to its FI or A/B MAC at least 30 days prior to the start of the next cost reporting period.	X		X							

### III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B	D M E	F I	C A R R I	R H H I	Shared-System Maintainers				OTHER
		M A C	M A C				F I S S	M C S	V M S	C W F	
7404.2	A provider education article related to this instruction will be available at <a href="http://www.cms.hhs.gov/MLNMattersArticles/">http://www.cms.hhs.gov/MLNMattersArticles/</a> shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.	X		X							

### IV. SUPPORTING INFORMATION

N/A

Section A: For any recommendations and supporting information associated with listed requirements, use the box below: N/A

X-Ref Requirement Number	Recommendations or other supporting information:

**Section B: For all other recommendations and supporting information, use this space: N/A**

## V. CONTACTS

### Pre-Implementation Contact(s):

**Policy:** Renate Dombrowski, [Renate-Rockwell.Dombrowski@cms.hhs.gov](mailto:Renate-Rockwell.Dombrowski@cms.hhs.gov) or (410) 786 – 4645 or Taimyra Jones, [Taimyra.Jones@cms.hhs.gov](mailto:Taimyra.Jones@cms.hhs.gov) or (410) 786 - 1562

**Claims Processing:** Cindy Pitts, [Cindy.Pitts@cms.hhs.gov](mailto:Cindy.Pitts@cms.hhs.gov) or (410) 786 - 2222

**Post-Implementation Contact(s): Contact your Contracting Officer's Technical Representative (COTR) or Contractor Manager, as applicable.**

## VI. FUNDING

### Section A: For *Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs)*:

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

### Section B: For *Medicare Administrative Contractors (MACs)*:

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

**250.2 - Optional Method for Outpatient Services: Cost-Based Facility Services Plus 115 percent Fee Schedule Payment for Professional Services**  
**(Rev.2232, Issued: 05-27-11, Effective: 10-01-10, Implementation: 10-03-11)**

The BIPA legislation on payment for professional services at 115 percent of what would otherwise be paid under the fee schedule is effective for services furnished on or after July 1, 2001. A CAH may elect to be paid for outpatient services in any cost reporting period under this method by filing a written election with the intermediary on an annual basis at least 30 days before start of the Cost Reporting period to which the election applies. An election of this payment method, once made for a cost reporting period, remains in effect for all of that period for the CAH.

*Effective for cost reporting periods beginning on or after October 1, 2010 if a CAH elected the optional method for its most recent cost reporting period beginning before October 1, 2010 or chooses to elect the optional method on or after October 1, 2010, that election remains in place until it is terminated, an annual election is no longer required. If a CAH elects the optional method on or after October 1, 2010, it must submit its request in writing to its fiscal intermediary or A/B MAC at least 30 days before the start of the first cost reporting period for which the election is effective. That election will not terminate unless the CAH submits a termination request to its fiscal intermediary or A/B MAC at least 30 days before the start of its next cost reporting period.*

The Medicare Prescription Drugs, Improvement, and Modernization Act (MMA) of 2003, changed the requirement that each practitioner rendering a service at a CAH that has elected the optional method, reassign their billing rights to that CAH. This provision allows each practitioner to choose whether to reassign billing rights to the CAH or file claims for professional services through their carrier. The reassignment will remain in effect for that entire cost reporting period.

The individual practitioner must certify, using the Form CMS-855R, if he/she wishes to reassign their billing rights. The CAH must then forward a copy of Form CMS-855R to the intermediary or A/B MAC, and the appropriate carrier or A/B MAC, must have the practitioner sign an attestation that clearly states that the practitioner will not bill the carrier or A/B MAC for any services rendered at the CAH once the reassignment has been given to the CAH. This “attestation” will remain at the CAH.

For CAHs that elected the optional method before November 1, 2003, the provision is effective beginning on or after July 1, 2001. For CAHs electing the optional method on or after November 1, 2003, the provision is effective for cost reporting periods beginning on or after July 1, 2004. Under this election, a CAH will receive payment from their intermediary or A/B MAC for professional services furnished in that CAH's outpatient department. Professional services are those furnished by all licensed professionals who otherwise would be entitled to bill the carrier or A/B MAC under Part B.

Payment to the CAH for each outpatient visit (reassigned billing) will be the sum of the following:

- For facility services, not including physician or other practitioner services, payment will be based on 101 percent of the reasonable costs of the services. On the ANSI X12N 837 I, list the facility service(s) rendered to outpatients using the appropriate revenue code. The FI or A/B MAC will pay 101 percent of the reasonable costs for the outpatient services less applicable Part B deductible and coinsurance amounts, plus:
- On a separate line, list the professional services, along with the appropriate HCPCS code (physician or other practitioner) in one of the following revenue codes - 096X, 097X, or 098X.
  - The FI or A/B MAC uses the Medicare Physician Fee Schedule (MPFS) supplementary file, established for use by the CORF, and the CORF Abstract File, to pay for all the physician/nonphysician practitioner services rendered in a CAH that elected the optional method. The data in the supplemental file are in the same format as the abstract file. Payment is based on the lesser of the actual charge or the facility-specific MPFS amount less deductible and coinsurance times 1.15; and

For a non-participating physician service, a CAH must place modifier AK on the claim. Payment is based on the lesser of the actual charge or a reduced fee schedule amount of 95 percent. Payment is calculated as follows:

- [(facility-specific MPFS amount times the non-participating physician reduction (0.95) minus (deductible and coinsurance] times 1.15.
- If a nurse practitioner (NP), clinical nurse specialist (CNS), or physician assistant (PA) renders a service, the “GF” modifier must be on the applicable line:
  - GF - Services rendered in a CAH by a nurse practitioner (NP), clinical nurse specialist (CNS), certified registered nurse (CRN) or physician assistant (PA). (The “GF” modifier is not to be used for CRNA services. If a claim is received and it has the “GF” modifier for certified registered nurse anesthetist (CRNA) services, the claim is returned to the provider.) Also, while this national “GF” modifier includes CRNs, there is no benefit under Medicare law that authorizes payment to CRNs for their services. Accordingly, if a claim is received and it has the “GF” modifier for CRN services, no Medicare payment should be made.
  - Services billed with the “GF” modifier are paid based on the lesser of the actual charge or a reduced fee schedule amount of 85 percent. Payment is calculated **as follows:**

- [(facility-specific MPFS amount times the nonphysician practitioner services reduction (0.85) minus (deductible and coinsurance)] times 1.15.
- SB - Services rendered in a CAH by a certified nurse-midwife.
- For dates of service prior to January 1, 2011, certified nurse-midwife services billed with the “SB” modifier are paid based on the lesser of the actual charge or a reduced fee schedule amount of 65 percent. Payment is calculated **as follows:**
  - [(facility-specific MPFS amount times the certified nurse-midwife reduction (0.65) minus (deductible and coinsurance)] times 1.15.
- For dates of service on or after January 1, 2011, Medicare covers the services of a certified nurse-midwife. The “SB” modifier is used to bill for the services and payment is based on the lesser of the actual charge or 100 percent of the MPFS. MPFS Payment is calculated **as follows:**
  - [(facility-specific MPFS amount) minus (deductible and coinsurance)] times 1.15.
- AH - Services rendered in a CAH by a clinical psychologist.
- Payment for the services of a clinical psychologist is based on the lesser of the actual charge or 100 percent of the MPFS. Payment is calculated **as follows:**
  - [(facility-specific MPFS amount) minus (deductible and coinsurance)] times 1.15.
- AE - Services rendered in a CAH by a nutrition professional/registered dietitian.
- Services billed with the “AE” modifier are paid based on the lesser of the actual charge or a reduced fee schedule amount of 85 percent. Payment is calculated **as follows:**
  - [(facility-specific MPFS amount times the registered dietitian reduction (0.85) minus (deductible and coinsurance)] times 1.15.

- Outpatient services, including ASC type services, rendered in an all-inclusive rate provider should be billed using the 85X type of bill (TOB). Non-patient laboratory specimens are billed on TOB 14X.

The (MPFS) supplemental file is used for payment of all physician/professional services rendered in a CAH that has elected the optional method. If a HCPCS code has a facility rate and a non-facility rate, the facility rate is paid.

**SUPPLEMENTAL FEE SCHEDULE**  
**CRITICAL ACCESS HOSPITAL FEE SCHEDULE**

**DATA SET NAMES: MU00.@BF12390.MPFS.CYXX.SUPL.V1122.FI**

This is the final physician fee schedule supplemental file.

**RECORD LENGTH:** 60

**RECORD FORMAT:** FB

**BLOCK SIZE:** 6000

**CHARACTER CODE:** EBCDIC

**SORT SEQUENCE:** Carrier, Locality HCPCS Code, Modifier

Data Element Name	Location	Picture Value	
1 - HCPCS	1-5	X(05)	
2 - Modifier	6-7	X(02)	
3 - Filler	8-9	X(02)	
4 - Non-Facility Fee	10-16	9(05)V99	
5 - Filler	17-17	X(01)	
6 - PCTC Indicator	18-18	X(01)	This field is only applicable when pricing Critical Access Hospitals (CAHs) that have elected the optional method (Method 2) of payment.
7 - Filler	19	X(1)	
8 - Facility Fee	20-26	9(05)V99	
9 - Filler	27-30	X(4)	
10 - Carrier Number	31-35	X(05)	
11 - Locality	36-37	X(02)	
12 - Filler	38-40	X(03)	
13 - Fee Indicator	41-41	X(1)	Field not populated— filled with spaces.

14 - Outpatient Hospital	42-42	X(1) Field not populated—Filled with spaces.
15 - Status Code	43-43	X(1) Separate instructions will be issued for the use of this field at a later date. This field indicates whether the code is in the physician fee schedule and whether it's separately payable if the service is covered.
16 - Filler	44-60	X(17)

### **Physician Fee Schedule Payment Policy Indicator File Record Layout**

The information on the Physician Fee Schedule Payment Policy Indicator file record layout is used to identify endoscopic base codes, payment policy indicators, global surgery indicators or the preoperative, intraoperative and postoperative percentages that are needed to determine if payment adjustment rules apply to a specific CPT code and the associated pricing modifier(s). See Chapter 12 of Pub. 100-04 for more information on payment policy indicators and payment adjustment rules.

<b>FIELD NAME &amp; DESCRIPTION</b>	<b>LENGTH &amp; PIC</b>	<b>Position</b>
<b>File Year</b>  This field displays the effective year of the file.	4 Pic x(4)	1-4
<b>HCPCS Code</b>  This field represents the procedure code. Each Current Procedural Terminology (CPT) code and alpha-numeric HCPCS codes A, C, T, and some R codes that are currently returned on the MPFS supplemental file will be included. The standard sort for this field is blanks, alpha, and numeric in ascending order.	5 Pic x(5)	5-9
<b>Modifier</b>  For diagnostic tests, a blank in this field denotes the global service and the following modifiers identify the components:  26 = Professional component; and TC = Technical component.  For services other than those with a professional and/or technical component, a blank will appear in	2 Pic x(2)	10-11

FIELD NAME & DESCRIPTION	LENGTH & PIC	Position
<p>this field with one exception: the presence of CPT modifier -53 which indicates that separate Relative Value Units (RVUs) and a fee schedule amount have been established for procedures which the physician terminated before completion. This modifier is used only with colonoscopy code 45378 and screening colonoscopy codes G0105 and G0121. Any other codes billed with modifier -53 are subject to medical review and priced by individual consideration.</p> <p>Modifier-53 = Discontinued Procedure - Under certain circumstances, the physician may elect to terminate a surgical or diagnostic procedure. Due to extenuating circumstances, or those that threaten the well being of the patient, it may be necessary to indicate that a surgical or diagnostic procedure was started but discontinued.</p>		
<p><b>Code Status</b></p> <p>This 1 position field provides the status of each code under the full fee schedule. Each status code is explained in Pub. 100-04, Chapter 23, §30.2.2.</p>	1 Pic x(1)	12
<p><b>Global Surgery</b></p> <p>This field provides the postoperative time frames that apply to payment for each surgical procedure or another indicator that describes the applicability of the global concept to the service.</p> <p>000 = Endoscopic or minor procedure with related preoperative and postoperative relative values on the day of the procedure only included in the fee schedule payment amount; evaluation and management services on the day of the procedure generally not payable.</p> <p>010 = Minor procedure with preoperative relative values on the day of the procedure and postoperative relative values during a 10-day postoperative period included in the fee schedule amount; evaluation and management services on the day of the procedure and during this 10-day postoperative period generally not payable.</p>	3 Pic x(3)	13-15

FIELD NAME & DESCRIPTION	LENGTH & PIC	Position
<p>090 = Major surgery with a 1-day preoperative period and 90-day postoperative period included in the fee schedule payment amount.</p> <p>MMM = Maternity codes; usual global period does not apply.</p> <p>XXX = Global concept does not apply.</p> <p>YYY = Fiscal intermediary (FI) determines whether global concept applies and establishes postoperative period, if appropriate, at time of pricing.</p> <p>ZZZ = Code related to another service and is always included in the global period of the other service.  <b>(NOTE:</b> Physician work is associated with intra-service time and in some instances the post service time.)</p>		
<b>Preoperative Percentage (Modifier 56)</b>	6 Pic 9v9(5)	16-21
This field contains the percentage (shown in decimal format) for the preoperative portion of the global package. For example, 10 percent will be shown as 010000. The total of the preoperative percentage, intraoperative percentage, and the postoperative percentage fields will usually equal one. Any variance is slight and results from rounding.		
<b>Intraoperative Percentage (Modifier 54)</b>	6 Pic 9v9(5)	22-27
This field contains the percentage (shown in decimal format) for the intraoperative portion of the global package including postoperative work in the hospital. For example, 63 percent will be shown as 063000. The total of the preoperative percentage, intraoperative percentage, and the postoperative percentage fields will usually equal one. Any variance is slight and results from rounding.		
<b>Postoperative Percentage (Modifier 55)</b>	6 Pic 9v9(5)	28-33

FIELD NAME & DESCRIPTION	LENGTH & PIC	Position
<p>This field contains the percentage (shown in decimal format) for the postoperative portion of the global package that is provided in the office after discharge from the hospital. For example, 17 percent will be shown as 017000. The total of the preoperative percentage, intraoperative percentage, and the postoperative percentage fields will usually equal one. Any variance is slight and results from rounding.</p>		
<p><b>Professional Component (PC)/Technical Component (TC) Indicator</b></p> <p>0 = Physician service codes: This indicator identifies codes that describe physician services. Examples include visits, consultations, and surgical procedures. The concept of PC/TC does not apply since physician services cannot be split into professional and technical components. Modifiers 26 &amp; TC cannot be used with these codes. The total Relative Value Units (RVUs) include values for physician work, practice expense and malpractice expense. There are some codes with no work RVUs.</p> <p>1 = Diagnostic tests or radiology services: This indicator identifies codes that describe diagnostic tests, e.g., pulmonary function tests, or therapeutic radiology procedures, e.g., radiation therapy. These codes generally have both a professional and technical component. Modifiers 26 and TC can be used with these codes.</p> <p>The total RVUs for codes reported with a 26 modifier include values for physician work, practice expense, and malpractice expense.</p> <p>The total RVUs for codes reported with a TC modifier include values for practice expense and malpractice expense only. The total RVUs for codes reported without a modifier equals the sum of RVUs for both the professional and technical component.</p> <p>2 = Professional component only codes: This</p>	1 Pic x(1)	34

FIELD NAME & DESCRIPTION	LENGTH & PIC	Position
<p>indicator identifies stand alone codes that describe the physician work portion of selected diagnostic tests for which there is an associated code that describes the technical component of the diagnostic test only and another associated code that describes the global test.</p>		
<p>An example of a professional component only code is 93010, Electrocardiogram; interpretation and report. Modifiers 26 and TC cannot be used with these codes. The total RVUs for professional component only codes include values for physician work, practice expense, and malpractice expense.</p>		
<p>3 = Technical component only codes: This indicator identifies stand alone codes that describe the technical component (i.e., staff and equipment costs) of selected diagnostic tests for which there is an associated code that describes the professional component of the diagnostic tests only.</p>		
<p>An example of a technical component code is 93005, Electrocardiogram, tracing only, without interpretation and report. It also identifies codes that are covered only as diagnostic tests and therefore do not have a related professional code. Modifiers 26 and TC cannot be used with these codes.</p>		
<p>The total RVUs for technical component only codes include values for practice expense and malpractice expense only.</p>		
<p>4 = Global test only codes: This indicator identifies stand alone codes for which there are associated codes that describe: a) the professional component of the test only and b) the technical component of the test only. Modifiers 26 and TC cannot be used with these codes. The total RVUs for global procedure only codes include values for physician work, practice expense, and malpractice expense. The total RVUs for global procedure only codes equals the sum of the total RVUs for the professional and technical components only codes combined.</p>		

FIELD NAME & DESCRIPTION	LENGTH & PIC	Position
<p>5 = Incident to Codes: This indicator identifies codes that describe services covered incident to a physician's service when they are provided by auxiliary personnel employed by the physician and working under his or her direct supervision.</p>		
<p>Payment may not be made by carriers for these services when they are provided to hospital inpatients or patients in a hospital outpatient department. Modifiers 26 and TC cannot be used with these codes.</p>		
<p>6 = Laboratory physician interpretation codes: This indicator identifies clinical laboratory codes for which separate payment for interpretations by laboratory physicians may be made. Actual performance of the tests is paid for under the lab fee schedule. Modifier TC cannot be used with these codes. The total RVUs for laboratory physician interpretation codes include values for physician work, practice expense and malpractice expense.</p>		
<p>7 = Physical therapy service: Payment may not be made if the service is provided to either a hospital outpatient or inpatient by an independently practicing physical or occupational therapist.</p>		
<p>8 = Physician interpretation codes: This indicator identifies the professional component of clinical laboratory codes for which separate payment may be made only if the physician interprets an abnormal smear for hospital inpatient. This applies only to code 85060. No TC billing is recognized because payment for the underlying clinical laboratory test is made to the hospital, generally through the PPS rate.</p>		
<p>No payment is recognized for code 85060 furnished to hospital outpatients or non-hospital patients. The physician interpretation is paid through the clinical laboratory fee schedule payment for the clinical laboratory test.</p>		

FIELD NAME & DESCRIPTION	LENGTH & PIC	Position
9 = Concept of a professional/technical component does not apply		
<p><b>Multiple Procedure (Modifier 51)</b>  Indicator indicates which payment adjustment rule for multiple procedures applies to the service.</p> <p>0 = No payment adjustment rules for multiple procedures apply. If the procedure is reported on the same day as another procedure, base payment on the lower of: (a) the actual charge or (b) the fee schedule amount for the procedure.</p> <p>1 = Standard payment adjustment rules in effect before January 1, 1996, for multiple procedures apply. In the 1996 MPFSDB, this indicator only applies to codes with procedure status of "D." If a procedure is reported on the same day as another procedure with an indicator of 1,2, or 3, rank the procedures by fee schedule amount and apply the appropriate reduction to this code (100 percent, 50 percent, 25 percent, 25 percent, 25 percent, and by report). Base payment on the lower of: (a) the actual charge or (b) the fee schedule amount reduced by the appropriate percentage.</p> <p>2 = Standard payment adjustment rules for multiple procedures apply. If the procedure is reported on the same day as another procedure with an indicator of 1, 2, or 3, rank the procedures by fee schedule amount and apply the appropriate reduction to this code (100 percent, 50 percent, 50 percent, 50 percent, 50 percent, and by report). Base payment on the lower of: (a) the actual charge or (b) the fee schedule amount reduced by the appropriate percentage.</p> <p>3 = Special rules for multiple endoscopic procedures apply if procedure is billed with another endoscopy in the same family (i.e., another endoscopy that has the same base procedure). The base procedure for each code with this indicator is identified in the endoscopic base code field.</p>	1 Pic (x)1	35

FIELD NAME & DESCRIPTION	LENGTH & PIC	Position
<p>Apply the multiple endoscopy rules to a family before ranking the family with other procedures performed on the same day (for example, if multiple endoscopies in the same family are reported on the same day as endoscopies in another family or on the same day as a non-endoscopic procedure).</p> <p>If an endoscopic procedure is reported with only its base procedure, do not pay separately for the base procedure. Payment for the base procedure is included in the payment for the other endoscopy.</p> <p>4 = Subject to 25% reduction of the TC diagnostic imaging (effective for services January 1, 2006 and after). Note: The 4 will be changed to a 9 because the 4 does not apply to Method II CAH claims for professional services processed by the fiscal intermediary.</p> <p>9 = Concept does not apply.</p>		
<p><b>Bilateral Surgery Indicator (Modifier 50)</b> This field provides an indicator for services subject to a payment adjustment.</p> <p>0 = 150 percent payment adjustment for bilateral procedures does not apply.</p> <p>The bilateral adjustment is inappropriate for codes in this category because of: (a) physiology or anatomy, or (b) because the code descriptor specifically states that it is a unilateral procedure and there is an existing code for the bilateral procedure.</p> <p>1 = 150 percent payment adjustment for bilateral procedures applies. If code is billed with the bilateral modifier base payment for these codes when reported as bilateral procedures on the lower of: (a) the total actual charge for both sides or (b) 150 percent of the fee schedule amount for a single code.</p>	1 Pic (x)1	36

FIELD NAME & DESCRIPTION	LENGTH & PIC	Position
<p>If code is reported as a bilateral procedure and is reported with other procedure codes on the same day, apply the bilateral adjustment before applying any applicable multiple procedure rules.</p>		
<p>2 = 150 percent payment adjustment for bilateral procedure does not apply. RVUs are already based on the procedure being performed as a bilateral procedure.</p>		
<p>The RVUs are based on a bilateral procedure because: (a) the code descriptor specifically states that the procedure is bilateral; (b) the code descriptor states that the procedure may be performed either unilaterally or bilaterally; or (c) the procedure is usually performed as a bilateral procedure.</p>		
<p>3 = The usual payment adjustment for bilateral procedures does not apply.</p>		
<p>Services in this category are generally radiology procedures or other diagnostic tests which are not subject to the special payment rules for other bilateral procedures. If a procedure is billed with the 50 modifier, base payment on the lesser of the total actual charges for <b>each</b> side or 100% of the fee schedule amount for <b>each</b> side.</p>		
<p>9 = Concept does not apply.</p>		
<p><b>Assistant at Surgery (Modifiers AS, 80, 81 and 82)</b></p>	1 Pic (x)1	37
<p>This field provides an indicator for services where an assistant at surgery may be paid:</p>		
<p>0 = Payment restriction for assistants at surgery applies to this procedure unless supporting documentation is submitted to establish medical necessity.</p>		
<p>1 = Statutory payment restriction for assistants at surgery applies to this procedure. Assistant at surgery may not be paid.</p>		

FIELD NAME & DESCRIPTION	LENGTH & PIC	Position
<p>2 = Payment restriction for assistants at surgery does not apply to this procedure. Assistant at surgery may be paid.</p> <p>9 = Concept does not apply.</p>		
<p><b>Co-Surgeons (Modifier 62)</b></p> <p>This field provides an indicator for services for which two surgeons, each in a different specialty, may be paid.</p> <p>0 = Co-surgeons not permitted for this procedure.</p> <p>1 = Co-surgeons could be paid; supporting documentation required to establish medical necessity of two surgeons for the procedure.</p> <p>2 = Co-surgeons permitted; no documentation required if two specialty requirements are met.</p> <p>9 = Concept does not apply.</p>	1 Pic (x)1	38
<p><b>Team Surgeons (Modifier 66)</b></p> <p>This field provides an indicator for services for which team surgeons may be paid.</p> <p>0 = Team surgeons not permitted for this procedure.</p> <p>1 = Team surgeons could be paid; supporting documentation required to establish medical necessity of a team; pay by report.</p> <p>2 = Team surgeons permitted; pay by report.</p> <p>9 = Concept does not apply.</p>	1 Pic (x)1	39
<p><b>Endoscopic Base Codes</b></p> <p>This field identifies an endoscopic base code for each code with a multiple surgery indicator of 3.</p>	5 Pic x(5)	40-44
<p><b>Performance Payment Indicator</b> (For future use)</p>	1 Pic x (1)	45

FIELD NAME & DESCRIPTION	LENGTH & PIC	Position
Filler	30 Pic x(30)	46-75

### **Health Professional Shortage Area (HPSA) Incentive Payments for Physicians**

Section 1833 (m) of the Social Security Act, provides incentive payments for physicians who furnish services in areas designated as HPSAs under section 332(a)(1)(A) of the Public Health Service (PHS) Act. This statute recognizes geographic-based, primary medical care and mental health HPSAs, are areas for receiving a 10 percent bonus payment. The Health Resources and Services Administration (HRSA), within the Department of Health & Human Services, is responsible for designating shortage areas.

Physicians, including psychiatrists, who provide covered professional services in a primary medical care HPSA, are entitled to an incentive payment. In addition, psychiatrists furnishing services in mental health HPSAs are eligible to receive bonus payments. The bonus is payable for psychiatric services furnished in either a primary care HPSA, or a mental health HPSA. Dental HPSAs remain ineligible for the bonus payment.

Physicians providing services in either rural or urban HPSAs are eligible for a 10 percent incentive payment. It is not enough for the physician merely to have his/her office or primary service location in a HPSA, nor must the beneficiary reside in a HPSA, although, frequently, this will be the case. The key to eligibility is where the service is actually provided (place of service). For example, a physician providing a service in his/her office, the patient's home, or in a hospital, qualifies for the incentive payment as long as the specific location of the service provision is within an area designed as a HPSA. On the other hand, a physician may have an office in a HPSA, but go outside the office (and the designated HPSA area) to provide the service. In this case, the physician would not be eligible for the incentive payment.

If the CAH electing the Optional Method (Method II) is located within a primary medical care HPSA, and/or mental health HPSA, the physicians providing (outpatient) professional services in the CAH are eligible for HPSA physician incentive payments. Therefore, payments to such a CAH for professional services of physicians in the outpatient department will be 115 percent **times** the amount payable under fee schedule **times** 110 percent. An approved Optional Method CAH that is located in a HPSA County should notify you of its HPSA designation **in writing**. Once you receive the information, place an indicator on the provider file showing the effective date of the CAH's HPSA status. The CMS will furnish quarterly lists of mental health HPSAs to intermediaries.

The HPSA incentive payment is 10 percent of the amount actually paid, not the approved amount. Do not include the incentive payment in each claim. Create a utility file so that you can run your paid claims file for a quarterly log. From this log you will send a quarterly report to the CAHs for each physician payment, one month following the end of each quarter. The sum of the "10% of line Reimbursement" column should equal the payment sent along with the report to the CAH. If any of the claims included on the report are adjusted, be sure the adjustment also goes to the report. If an adjustment request is received after the end of the quarter, any related

adjustment by the FI will be included on next quarter's report. The CAHs must be sure to keep adequate records to permit distribution of the HPSA bonus payment when received. If an area is designated as both a mental health HPSA and a primary medical care HPSA, only one 10 percent bonus payment shall be made for a single service.